

# FISCAL NOTE

**Bill #:** HB0422

**Title:** Liveable wage for families

**Primary Sponsor:** Gallik, D

**Status:** As Introduced

Sponsor signature	Date	David Ewer, Budget Director	Date
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## Fiscal Summary

	<b><u>FY 2006 Difference</u></b>	<b><u>FY 2007 Difference</u></b>
<b>Expenditures:</b>		
General Fund	\$0	\$0
State Special Revenue	\$48,141	\$44,085
<b>Revenue:</b>		
General Fund	\$0	\$0
State Special Revenue	\$0	\$0
<b>Net Impact on General Fund Balance:</b>	\$0	\$0

- |   |  |
|---|--|
| <input type="checkbox"/> Significant Local Gov. Impact    | <input type="checkbox"/> Technical Concerns                      |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts           |
| <input type="checkbox"/> Dedicated Revenue Form Attached  | <input checked="" type="checkbox"/> Needs to be included in HB 2 |

## Fiscal Analysis

### ASSUMPTIONS:

#### **Department of Revenue**

1. Under this bill, employers who receive “public financial assistance” would be required to pay all of their employees a minimum wage as follows: employers who provide an employee group health plan to part-time and full-time employees would be required to pay each employee a wage that is at least 70 percent of the state’s annual average weekly wage; employers who do not provide an employee group health plan would be required to pay each employee a wage that is at least 75 percent of the state’s annual average weekly wage.
2. “Public financial assistance” means any form of public subsidy provided to an employer for the initiation, continuation, or expansion of a business located in the state. Employers who receive more than \$40,000 in assistance would be subject to the minimum wages requirements specified above; employers who receive less than this amount would not be subject to the minimum wage requirements.
3. Under the proposal, employers who receive public financial assistance are required to pay the minimum wage for no less than 10 years (Section 3, subsection 2).
4. This proposal, if enacted, will induce a significant behavioral response in employers; particularly the requirement in assumption three. Employers whose net present value of future current public financial

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assistance is less than the net present cost of providing at least the minimum wage to all employees will forego current and future receipts of public financial assistance, and will not pay the minimum wage required. Some employers will continue to receive public financial assistance, will increase pay for some employees, and will layoff some employees.

5. To the extent that some employees would see an increase in wages from this proposal, individual income tax collections may increase; to the extent that the increase in wages paid is reflected in a reduction in the profit of employers and businesses, income tax collections may decrease. To the extent that some employees are laid off, income tax collections could decrease.
6. Neither the State of Montana nor the Department of Revenue has a general equilibrium impact model capable of accurately estimating the net revenue impact of this proposal.
7. There are no administrative impacts to the Department of Revenue from this proposal.

### **Department of Labor and Industry**

8. The department is unable to estimate the number of employers under HB 422 who receive public assistance. However, the department assumes it would incur normal new program start-up costs as well as experience an increase in workload.
9. The department would need 1.00 FTE Band 6 investigator/compliance specialist at a cost of \$36,369 for personal services and benefits in each year of the 2007 biennium. On going costs such as rent, computer connection fees, telephone, and indirect costs will cost a total of \$4,016 in each year of the 2007 biennium. One time only costs (office furniture, computer, and computer installation charges) will total \$3,256 in FY 2006.
10. The department estimates printing costs, mailing costs, travel costs, and long distance telephone charges in of \$2,500 each year of the 2007 biennium.
11. The department estimates \$1,200 each year for prosecution and legal costs incurred in the enforcement of HB 422.
12. Costs of the administrative rule making process related to HB 422 are estimated at \$800 in FY 2006.

### **Department of Public Health & Human Services**

13. Passage of this bill has the potential to reduce benefits paid in a number of federally funded programs due to increased wages of those clients currently just below the program eligibility requirements. A fiscal note cannot be prepared due to insufficient information in the bill to make assumptions that might predict a reasonable dollar value.

### FISCAL IMPACT:

#### **Department of Labor and Industry**

	<u>FY 2006</u> <u>Difference</u>	<u>FY 2007</u> <u>Difference</u>
FTE	1.00	1.00

#### Expenditures:

Personal Services	36,369	36,369
Operating Expenses	<u>11,772</u>	<u>7,716</u>
TOTAL	\$48,141	\$44,085

#### Funding of Expenditures:

State Special Revenue (ESA)	\$48,141	\$44,085
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#### Revenues:

State Special Revenue (ESA)	\$0	\$0
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### Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

State Special Revenue (ESA)	(\$48,141)	(\$44,085)
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### TECHNICAL NOTES:

#### **Department of Labor & Industry**

1. Section 2 (3)(a) refers to an “employee” as someone “who works 35 hours or more” during a scheduled 5-day workweek. The body of HB 422 refers to part-time and full-time employees without defining what is a part-time or full-time employee. Thus, an individual who works fewer than 35 hours during a scheduled 5-day workweek may not be included in the definition of “employee.”
2. Section 2 (6) defines “public financial support.” It is unclear whether an ordinary commercial loan of \$40,000 from a commercial lender qualifies as “public financial support” if the employer is intending to use the loan proceeds to continue to business operations (i.e., a working capital loan). It is also unclear whether an annual capture of \$40,000 in regular tax credits is sufficient to trigger the bill’s provisions.
3. Section 2 (7)(a)(i) and (ii) make reference to the average weekly wage as determined by the department’s “quarterly census of employment and wages”. However, Section (7)(b) makes reference to annual adjustments. The reference to quarterly determinations and to annual adjustments appears potentially contradictory. The average weekly wage computed for unemployment insurance purposes is described in 39-51-2201(2), MCA.
4. As drafted, the department does not have rulemaking authority with respect to HB 422 because the rulemaking authority in existing law only addresses the individual parts of Title 39, chapter 3, rather than chapter 3 as a whole.